

Family Care Financial Summary
Six Months Ending June 30, 2012
(Report Date: October 6, 2012)

Background

- As of the end of the June 30, 2012, financial reporting period, the Family Care program is projected to be a \$1.2 billion program, when annualized for the full 2012 calendar year.
- The program has experienced a 5.1% growth in total capitation payments and a 5.4% growth in member months during the first six months of 2012, compared to the same period in 2011.
- Six of the MCOs have reported a surplus, and three have reported losses.
- This continued improvement in overall financial results remains consistent with the Department's expectation of increased financial stabilization after the program's initial expansion into a given service region has been completed and business operations have normalized.
- The two MCOs that remain in a deficit position, and which are also beyond the 3-year transition period, are under increased oversight by DHS & OCI. Corrective measures are in place. Agency staff are actively monitoring performance to ensure that operational and financial goals are met.
- The composite, year-to-date Family Care program surplus of \$13.8 million (2.3%) compares to a gain of \$10.3 million (1.8%, upon correction) through the first six months of 2011.
- While the overall Family Care program is in a modestly positive position with respect to operations, MCOs that are not yet compliant with the program's capital requirements are receiving additional oversight until their stability is achieved.
- The Department continues to evaluate differences in financial results that have been experienced by the pilot county-based MCOs and the MCOs that are newer to the Family Care program.

Key Metrics

- *Capitation:* The average capitation revenue decreased by 0.3%, on a per member per month (PMPM) basis, relative to the first six months of 2011. The decrease reflects a slowdown in enrollment growth; an overall stabilization in membership, after a four- or five-year period of very rapid expansion; and a relative increase in new, lower acuity, lower cost members. The decline also reflects a series of policy actions taken by the Department to slow capitation growth.
- *Member services:* There was a 2.9% decrease in overall member services costs, expressed on a PMPM basis, relative to the same time period in 2011. The decrease generally results from the care coordination and contracting strategies adopted by the MCOs, particularly for members who transitioned from the waiver programs to the Family Care program, as well as the influx of lower need/lower cost enrollees. Service costs generally decline over time, reflecting the Family Care program model of cost-effective, member-centered, care planning, so this result is consistent with expectations.
- *Care Management:* Year-to-date results reflect a 3.7% decrease in care management costs, on a PMPM basis, since the quarter ending June 30, 2011. The reported decrease reflects MCOs' continued efforts to streamline care management practices. The average monthly cost for this service, \$338 on a per member per month basis, represents an average of 4 – 5 hours of care management per person per month. This is consistent with historical norms for the program.
- *Administration:* The program continues to achieve administrative savings, with just over 94% of funding used to support the full spectrum of member services. The cost to administer the program decreased an additional 3.8%, on a PMPM basis, relative to the same period in 2011. MCOs continue to focus on generating savings by contracting for claims processing under the

Department's master contract, which represents a pooled approach to buying administrative services, and through other MCO-specific initiatives to achieve administrative efficiencies.

- *Net Income:* Net income for the Family Care program was \$13.8 million for the quarter ending June 30, 2012. As noted above, this compares to net income of \$10.3 million for the first six months of the same reporting period in the prior year.
- *Solvency:* MCO Working Capital improved by \$50.1 million since the quarter ending June 30, 2011. As of June 30, 2012, total Working Capital across the whole program is \$52.0 million. The Department is closely monitoring the Working Capital of two MCOs (down from six in June, 2011) with negative positions to ensure continued progress on this important liquidity measure. As of June 30, 2012, Restricted Reserves are fully funded by seven of nine MCOs, up from six in June, 2011, with total funding at 92.3% of requirements (up from 91% in June, 2011). The MCO Solvency fund, a pooled and segregated fund held by the Department of Administration (DOA), is within \$225,000 of full funding, with eight MCOs currently meeting the requirements and the remaining MCO meeting funding plans approved by the OCI. Overall, the MCOs have funded 96.7% of their Solvency Fund requirements (up from 87.4% in June, 2011) with plans to achieve full funding by December 31, 2012 on track. MCOs that do not meet the capital requirements are under fiscal corrective action that requires monthly financial reporting.

More Recent Developments

- The Family Care enrollment cap was lifted in early April. Enrollment, as measured by member months, grew by 1.6% in the second quarter, relative to the first quarter; MCO revenue increased by 2.6%; and MCO expenses grew by 3.1%.
- CHP will be ending its Family Care and Family Care Partnership programs, effective December 31st. The Department is working intensively with the MCO, enrolled members, service providers, and others impacted by this change, to ensure the continuity of care of member services.
- DHS is conducting procurement activities to secure MCO services in the five-county region currently served by CHP, as well as several other service regions across the state. It is expected that an announcement about the new MCO(s) will occur by mid-October.
- Capitation rates have been released to the Family Care MCOs. The CY 2013 Family Care rates are projected to increase by roughly 2.8%. PACE and FCP rates will be released soon.
- The MCOs' three-year Business Plan submissions are due to the Department in late October.
- The Department and MCOs are investing significant staff resources into the continued development, refinement, and implementation of the LTC Sustainability initiatives.
- The Department submitted its agency's budget request to the department of Administration on September 17th. This is available online at: <http://www.dhs.wisconsin.gov/aboutdhs/2013-15BiennialBudgetRequestReport.pdf>.
- One MCO began meeting all capital requirements in June and it is anticipated that an additional MCO will meet the requirements with their next financial statement submission. These two MCOs will be released from corrective action once they have demonstrated a stable financial position for six consecutive months and no other operational concerns are identified.
- As many as five MCOs are expected to be released from corrective action by the end of 2013. Two other MCOs are working to correct operational issues and are not financially distressed.
- Relative to current efforts that are in place, the Department anticipates a level of increased scrutiny and oversight will occur with respect to the other MCO that has not yet met its financial requirements.

Family Care
MCO Financial Statement Summaries
YTD for Period Ending June 30, 2012

	SFCA	CCCW	LCD	WWC	MGDFC	CCI	CWF	CHP-LTS	NB	Total
Revenue										
Capitation	32,406,423	58,348,859	46,093,703	59,386,335	120,958,824	143,095,740	68,890,389	24,189,779	34,345,979	587,716,030
Interest Income- Operating Acct	15,406	48,001	0	2,406	0	0	0	0	8,276	74,089
Other Retro Adjustments, DHS	0	597,683	518,300	0	0	1,770,192	0	0	317,589	3,203,764
Other Income	7,304	89,281	79,293	3,019	5,839	0	0	0	43,862	228,597
Total Revenue	32,429,132	59,083,824	46,691,296	59,391,760	120,964,663	144,865,932	68,890,389	24,189,779	34,715,705	591,222,481

Expenses										
Member Service Expenses	29,346,734	49,722,878	43,611,973	54,025,442	119,172,368	139,461,708	65,219,500	23,278,790	32,473,106	556,312,499
Cost Share	(677,735)	(947,417)	(1,140,146)	(1,678,188)	(5,106,850)	(2,988,669)	(1,229,528)	(271,826)	(619,935)	(14,660,295)
Room & Board	(2,558,403)	(5,054,623)	(4,122,291)	(3,960,091)	(8,699,424)	(13,264,206)	(6,816,347)	(2,119,409)	(2,865,488)	(49,460,282)
Spend Down & Third Party	(93,533)	(489,136)	(506,190)	(138,319)	(959,358)	(1,041,233)	(558,447)	(113,612)	(114,492)	(4,014,320)
Net Member Service Expenses	26,017,063	43,231,702	37,843,346	48,248,844	104,406,736	122,167,600	56,615,178	20,773,944	28,873,191	488,177,603

Net Member Care Management Costs	3,809,998	8,304,900	5,620,687	7,935,838	13,959,550	14,197,869	6,709,874	3,145,274	4,795,540	68,479,530
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Administrative Expenses	1,749,106	2,722,093	1,988,813	2,616,548	4,746,312	4,568,674	3,137,496	1,087,173	2,082,402	24,698,618
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Total Operating Expenses, CY	31,576,167	54,258,696	45,452,846	58,801,230	123,112,598	140,934,143	66,462,548	25,006,391	35,751,132	581,355,751
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Income (Loss) from Operations, CY	852,965	4,825,128	1,238,450	590,530	(2,147,935)	3,931,789	2,427,841	(816,612)	(1,035,427)	9,866,729
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Other (Revenue)/Expense, Ordinary

Total Other (Revenue)/Expense	(91,628)	(172,027)	(103,675)	3,975	(1,720,261)	(1,401,165)	(144,956)	(204,892)	(103,052)	(3,937,681)
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Net Surplus/ (Deficit)	944,594	4,997,156	1,342,125	586,555	(427,675)	5,332,955	2,572,797	(611,720)	(932,375)	13,804,410
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Member Months by FC Target Group

Developmentally Disabled (DD)	5,336	8,568	6,840	8,726	10,439	23,977	11,377	4,398	5,491	85,152
Physically Disabled (PD)	3,408	4,020	4,983	7,442	23,571	11,352	4,326	1,729	3,353	64,185
Frail Elder (FE)	3,165	6,894	4,341	6,384	12,287	10,569	5,126	1,114	3,385	53,265
Member Months	11,909	19,482	16,165	22,553	46,297	45,898	20,829	7,241	12,229	202,602

Key Ratios (as % of Revenue)

Member Service Expense, Net	80.2%	73.2%	81.1%	81.2%	86.3%	84.3%	82.2%	85.9%	83.2%	82.6%
Member Care Management Service Expense	11.7%	14.1%	12.0%	13.4%	11.5%	9.8%	9.7%	13.0%	13.8%	11.6%
Total Member Service Expense	92.0%	87.2%	93.1%	94.6%	97.9%	94.1%	91.9%	98.9%	97.0%	94.2%
Administrative Expense	5.4%	4.6%	4.3%	4.4%	3.9%	3.2%	4.6%	4.5%	6.0%	4.2%
Total Operating Expense	97.4%	91.8%	97.3%	99.0%	101.8%	97.3%	96.5%	103.4%	103.0%	98.3%
Net Surplus(Deficit)	2.9%	8.5%	2.9%	1.0%	-0.4%	3.7%	3.7%	-2.5%	-2.7%	2.3%

Summary PMPM Presentation

Revenue										
Capitation	2,721.17	2,995.01	2,851.46	2,633.19	2,612.69	3,117.69	3,307.41	3,340.60	2,808.57	2,900.83
Interest Income- Operating Acct	1.29	2.46	0.00	0.11	0.00	0.00	0.00	0.00	0.68	0.37
Other Retro Adjustments, DHS	0.00	30.68	32.06	0.00	0.00	38.57	0.00	0.00	25.97	15.81
Other Income	0.61	4.58	4.91	0.13	0.13	0.00	0.00	0.00	3.59	1.13
Total Revenue	2,723.08	3,032.74	2,888.43	2,633.43	2,612.81	3,156.26	3,307.41	3,340.60	2,838.80	2,918.13

Family Care
MCO Financial Statement Summaries
YTD for Period Ending June 30, 2012

	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Expenses										
Member Service Expenses	2,464.25	2,552.25	2,697.94	2,395.49	2,574.10	3,038.51	3,131.17	3,214.80	2,655.42	2,745.83
Cost Share	(56.91)	(48.63)	(70.53)	(74.41)	(110.31)	(65.12)	(59.03)	(37.54)	(50.69)	(72.36)
Room & Board	(214.83)	(259.45)	(255.01)	(175.59)	(187.91)	(288.99)	(327.25)	(292.69)	(234.32)	(244.12)
Spend Down & Third Party	(7.85)	(25.11)	(31.31)	(6.13)	(20.72)	(22.69)	(26.81)	(15.69)	(9.36)	(19.81)
Net Member Services Costs	2,184.66	2,219.06	2,341.08	2,139.35	2,255.17	2,661.72	2,718.08	2,868.88	2,361.04	2,409.53
Net Member Care Management Costs	319.93	426.29	347.71	351.88	301.52	309.34	322.14	434.36	392.14	338.00
Administrative Expenses	146.87	139.72	123.03	116.02	102.52	99.54	150.63	150.14	170.28	121.91
Total Operating Expenses, CY	2,651.45	2,785.07	2,811.82	2,607.25	2,659.21	3,070.59	3,190.85	3,453.38	2,923.47	2,869.43
Income (Loss) from Operations, CY	71.62	247.67	76.61	26.18	(46.40)	85.66	116.56	(112.77)	(84.67)	48.70
Other (Revenue)/Expense, Ordinary										
Total Other (Revenue)/Expense	(7.69)	(8.83)	(6.41)	0.18	(37.16)	(30.53)	(6.96)	(28.30)	(8.43)	(19.44)
Net Surplus/(Deficit)	79.32	256.50	83.03	26.01	(9.24)	116.19	123.52	(84.48)	(76.24)	68.14
Member Months by FC Target Group										
Developmentally Disabled (DD)	5,336	8,568	6,840	8,726	10,439	23,977	11,377	4,398	5,491	85,152
Physically Disabled (PD)	3,408	4,020	4,983	7,442	23,571	11,352	4,326	1,729	3,353	64,185
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	SFCA	CCCW	LCD	WWC	MCDFC	CCI	CWF	CHP-LTS	NB	Total
Solvency Protection										
Working Capital										
Current Assets	12,360,738	21,279,950	18,341,669	13,901,645	48,568,342	42,645,933	21,561,185	2,180,632	8,349,871	189,189,964
Current Liabilities	7,015,125	12,582,232	10,237,137	11,315,902	27,518,998	34,464,812	16,438,420	8,876,277	8,784,589	137,233,494
Working Capital	5,345,612	8,697,718	8,104,532	2,585,743	21,049,343	8,181,121	5,122,764	(6,695,645)	(434,718)	51,956,470
Requirement	1,882,078	3,506,332	2,706,366	3,453,088	6,839,825	8,614,501	4,190,897	1,489,474	2,031,410	34,713,971
Excess/(shortage)	3,463,534	5,191,386	5,398,166	(867,345)	14,209,518	(433,381)	931,867	(8,185,118)	(2,466,128)	17,242,499
Restricted Reserve										
Current Restricted Reserve	1,628,990	2,182,756	1,947,164	2,152,355	3,611,356	4,613,886	2,396,966	250,220	200,174	18,983,867
Required	1,627,359	2,168,777	1,902,122	2,151,029	3,279,942	3,871,500	2,396,966	1,492,982	1,677,137	20,567,815
Excess/(shortage)	1,630	13,979	45,042	1,326	331,414	742,385	0	(1,242,762)	(1,476,963)	(1,583,948)
Solvency Fund										
Current Solvency Fund	750,000	750,000	750,000	750,000	750,000	750,000	750,000	525,000	750,000	6,525,000
Required	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	6,750,000
Excess/(shortage)	0	0	0	0	0	0	0	(225,000)	0	(225,000)
Total Equity	8,570,357	13,296,334	11,583,946	5,995,294	24,663,445	21,840,472	11,029,762	(5,920,424)	677,199	78,440,052